

UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: April 1, 2021

Filing Date Due: November 30, 2020

File No.: PC74-1120

Date Filed: December 7, 2020

Name of Utility: Galena, City of

Cert. No. 274

☒ Annual Update

☐ COPA Review

☐ Fuel Price Change

☐ Non-Fuel Cost Change

☐ Base Rate Change

☐ KWh Sales Change

☐ Other _____

STAFF RECOMMENDATIONS: Approval of updated Permanent PCE amounts
(see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNT (In Cents/kWh)	<u>Date Approved:</u> January 7, 2021	
All	14.19¢	18.81¢

Signed: Brenda Cox Utility Financial Analyst
Brenda Cox

Commission decision re. this recommendation:

	Date (if different from 4/1/2021)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>NI</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>Julie</u>	_____	_____

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert M. Pickett, Chairman DATE: April 1, 2021
Keith Kurber II
Antony G. Scott
Danial A. Sullivan
Janis W. Wilson

FROM: Brenda Cox RE: Galena, City of
Utility Financial Analyst PC74-1120

Recommendations

1. Updated Power Cost Equalization (PCE) amounts should be effective for bills rendered on or after April 2, 2021.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, rate changes, and fuel cost changes should be included in the By Direction Letter to the utility.

Background

On December 7, 2020, the City of Galena (GALENA) filed its 2020 annual PCE report (annual report) for the test year ending June 30, 2020 (FY20). GALENA filed supplements on February 19, 2021, March 11, 2021, and March 24, 2021. GALENA filed a Profit & Loss by Class (P&L) with the annual report which Staff used for the review. Staff's contact for this filing was Ms. Shanda Huntington, City Manager and Christina Trent, CPA with Carmen Jackson CPA Firm.

Summary

After Staff's proposed adjustments, GALENA's total eligible costs per kilowatt-hour (kWh) have increased by 4.86 cents (¢) from 35.57¢/kWh to 40.43¢/kWh (FY20). GALENA's reported fuel efficiency increased from 13.11 kWh/gallon (FY14) to 13.68 kWh/gallon (FY20). GALENA's reported line loss decreased from 12.00%¹ (FY14) to 10.89% (FY20). Staff's detailed analysis of this filing follows:

¹ Staff notes in PC74-1114 the line loss was adjusted to 12% to meet the line loss standard. PC74-1114 was approved in Letter Order L1500240, dated May 8, 2015.

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased by \$395,990 from \$939,534 (FY14) to \$1,335,525 (FY20). Staff reviewed GALENA's non-fuel costs by category noting the following (see Schedule BKC-1):

Personnel Expenses increased \$70,527 from \$543,437 (FY14) to \$613,964 (FY20). Staff recommends no adjustments.

Power Plant Parts & Supplies Expense increased \$6,291 from \$72,450 (FY14) to \$78,741 (FY20). Staff noted \$33,287 in Account 6825 Equipment Repair & Maintenance on the P&L and requested GALENA provide a detailed schedule. GALENA provided a Transaction Detail by Account and advised Staff \$10,012 was for generator repairs and maintenance and \$26,000 was for a generator installation at the Airforce Base location.² Staff contacted Ms. Trent and she advised Staff GALENA owned the generator at the Airforce Base location, however Staff would need to contact Ms. Huntington for more information. Staff emailed Ms. Huntington³ advising her the cost to install a generator would usually be included with the cost of the generator and added to the Schedule of Depreciation and Amortization to be depreciated over 14 years for PCE purposes. Staff also asked Ms. Huntington if there was any reason she believe the generator installation should not be placed on the Schedule of Depreciation and Amortization. Staff received no response from Ms. Huntington. Staff recommends reclassifying the \$26,000 for the generator installation to the Schedule of Depreciation and Amortization to be amortized over 14 years.⁴

Staff recommends **Adjustment 1 (Appendix 2)**, to decrease Power Plant Parts & Supplies Expenses by \$26,000.

Repairs & Maintenance Expense increased \$1,043 from \$32,245 (FY14) to \$33,288 (FY20). Staff recommends no adjustments.

General & Administrative (G&A) Expense increased \$185,657 from \$51,405 (FY14) to \$237,062 (FY20). Staff noted \$162,913 reported in Account 7220 Electricity Expense on the P&L and requested GALENA provide a detailed schedule for this account. GALENA provided a Transaction Detail by Account which shows the amount of electricity charged

² See Supplement filed February 19, 2021.

³ Staff sent emails to Ms. Huntington on March 10, 2021 and March 15, 2021.

⁴ The length of time a generator and its installation cost are depreciated for PCE purposes is 14 years based on the Depreciation & Amortization Lives/Rates Schedule Staff follows.

for city streetlights and the power plant.⁵ Staff contacted GALENA and Ms. Trent then confirmed that GALENA metered and reported the electricity used for streetlights and the power plant in Account 7220. In addition, Ms. Trent confirmed that GALENA reported in Account 4025 Electric Revenue the revenue it received from the city for street lights and the power plant⁶ and that the expense and revenue offset each other on the financial statements.⁷ Because revenue is not used in the calculation of the PCE amounts and the \$162,913 is not a cost to the utility, Staff recommends decreasing G&A by \$162,913.

Staff noted -\$6,323 reported in Account 7330 Bad Debt Expense and asked GALENA about the negative amount and what the bad debt was for. GALENA advised Staff it over estimated bad debt expense in a prior period and adjusting the allowance in the current period resulted in a credit.⁸ Staff recommends removing the \$6,323 credit because the adjustment was for a prior period.

Based on the above, Staff recommends **Adjustment 2 (Appendix 2)** to decrease General & Administrative expenses by \$156,590 (\$162,913 – \$6,323).

Depreciation and Amortization Expense increased \$116,859 from \$239,997 (FY14) to \$356,856 (FY20). As referenced earlier in the Memo, Staff recommends reclassifying the generator installation in the amount of \$26,000 to the Schedule of Depreciation and Amortization, to be amortized over 14 years which equals \$1,857 annually (\$26,000/14 years). Staff recommends **Adjustment 3 (Appendix 2)**, to increase GALENA's reported Depreciation and Amortization expense of \$356,856 by \$1,857 to equal Depreciation and Amortization Expense of \$358,713.

Interest Expense increased \$15,614 from \$0 (FY14) to \$15,614 (FY20). Staff recommends no adjustments.

Fuel Costs

GALENA submitted its most recent fuel report on December 15, 2020, which included 383,496 gallons of fuel purchased between June 17, 2020 and September 28, 2020. A weighted average price of fuel in the amount of \$1.8761/gal was calculated⁹ and is shown on **Appendix 2**.

⁵ See Supplement filed February 19, 2021.

⁶ See Supplement filed March 24, 2021.

⁷ See Supplement filed March 11, 2021. Staff spoke with Ms. Trent and followed up in an email.

⁸ See Supplement filed February 19, 2021.

⁹ Approved in Letter Order L2000467, dated January 8, 2021.

CITY OF GALENA

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY FOR THE PERIOD ENDING JUNE 30, 2020

Annual Update

	PC74-1114M		PC74-1120
	Prior Commission Approval	Utility Request	Staff Recommended
A. Total kWh Generated	5,861,965	5,594,719	5,594,719
B. Total kWh Sold (Appendix 2)	5,000,012	4,754,140	4,754,140
C. Total Non-Fuel Costs (Appendix 2)	939,534	1,335,525	1,154,792
D. Non-Fuel Cost/kWh (C / B)	\$0.1879	\$0.2809	\$0.2429
E. Total Fuel Costs (Appendix 2)	838,819	767,454	767,454
F. Fuel Costs/kWh (E / B)	\$0.1678	\$0.1614	\$0.1614
G. Eligible Costs/kWh (D + F)	\$0.3557	\$0.4423	\$0.4043
H. Eligible Cost/kWh (G) Less 20.63 cents/kWh	\$0.1494	\$0.2360	\$0.1980
I. Lesser of (H) or 79.37 cents/kWh	\$0.1494	\$0.2360	\$0.1980
J. Average Class Rates (Appendix 3)			
All	\$0.3897	\$0.3897	\$0.3897
Class Power Cost Equalization Per kWh Payable			
K. Lesser of: (I) x 95% or (J) All	\$0.1419	\$0.2242	\$0.1881
L. Funding Level in Effect	100%	100%	100%
All	\$0.1419	\$0.2242	\$0.1881

PC74-1120
Appendix 1

CITY OF GALENA

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY FOR THE PERIOD ENDING JUNE 30, 2020

Annual Update

			PC74-1114M		PC74-1120	
			Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
Non-Fuel Costs:						
A.	Personnel Costs		543,437	613,964	0	613,964
B.	Power Plant Parts & Supplies		72,450	78,741	Adj. #1 (26,000)	52,741
C.	Repairs & Maintenance		32,245	33,288	0	33,288
D.	General & Administrative		51,405	237,062	Adj. #2 (156,590)	80,472
E.	Depreciation		239,997	356,856	Adj. #3 1,857	358,713
F.	Interest Expense		0	15,614	0	15,614
G.	Other Expense (Revenue)		0	0	0	0
H. Total Non-Fuel Costs			\$939,534	\$1,335,525	(180,733)	\$1,154,792
Fuel Costs:						
I.	Gallons Consumed for Electric Generation		447,118	409,078		409,078
J.	Wtd. Avg. Price of Fuel		\$1.8761	\$1.8761		\$1.8761
K. Total Fuel Costs			\$838,819	\$767,454		\$767,454
L. Total kWh Sold			5,000,012	4,754,140		4,754,140
M. kWh Station Service			158,517	231,380		231,380
N.	Efficiency	≥ <u>Standard</u> 12.5	13.11	13.68		13.68
O.	Line Loss	≤ 12%	12.00%	10.89%		10.89%

(kWh generated - (kWh sold + kWh station service)/kWh generated

Calculation of Weighted Average Price per Gallon:

On Hand	26,373	x	\$ 1.8761	49,477.26	Weighted
Delivered	-	x		-	Average
	26,373			49,477	\$ 1.8761

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Appendix 2

CITY OF GALENA

Calculation of Average Class Rate per kWh

Rate Schedule: All

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - 0.2063 /kWh
500	0.5960	0.0000	0.5960	298.00	0.5960	0.3897
500				298.00	0.5960	0.3897
TOTAL (A)						(E)

Rate Schedule:

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - 0.2063
500	0.0000	0.0000	0.0000	0.00	0.0000	
500				0.00	0.0000	
TOTAL (A)						(E)

CITY OF GALENA TREND ANALYSIS

	2014	2020				
	Amended Expenses	Utility Filing	Variance		Staff Adjustments	Amended Expenses
			\$	%		
Personnel Expenses						
Total Wages	394,898	388,074	(6,824)	(1.73%)	0	388,074
Employer Paid Taxes	129,071	28,858	(100,213)	(77.64%)		28,858
Benefits	19,468	197,032	177,564	912.08%		197,032
Total Employer Paid Taxes	148,539	225,890	77,351	52.07%	0	225,890
Total Personnel Expenses	543,437	613,964	70,527	12.98%	0	613,964
Power Plant Parts and Supplies						
Lube Oil	36,606	22,109	(14,497)	(39.60%)		22,109
Supplies and Materials	0	40,120	40,120	100.00%	(26,000)	14,120
Oil Filters/Fuel Filters/Supplies	4,302	0	(4,302)	(100.00%)		0
Small Tools (Under \$200)	3,163	0	(3,163)	(100.00%)		0
Vehicle Maintenance & Storage	0	0	0	0.00%		0
Freight and postage	997	3,804	2,807	281.53%		3,804
Other:	27,382	12,709	(14,674)	(53.59%)		12,709
Total Plant Parts & Supplies	72,450	78,741	6,291	8.68%	(26,000)	52,741
Repairs and Maintenance						
Amortization of Major Overhauls	0	0	0	0.00%		0
Emergency Repairs	0	0	0	0.00%		0
Routine Maintenance	32,245	33,288	1,043	3.23%		33,288
Other:	0	0	0	0.00%		0
Total Repairs and Maintenance	32,245	33,288	1,043	3.23%	0	33,288
General and Administrative						
Outside Professional Services	29,927	44,345	14,418	48.18%		44,345
Insurance	10,495	29,729	19,234	183.27%		29,729
Office Supplies	1,865	0	(1,865)	(100.00%)		0
Travel/ Training	4,136	3,227	(909)	(21.99%)		3,227
Utilities	0	0	0	0.00%		0
Building Repairs & Maint.	0	0	0	0.00%		0
Telephone/ Fax, etc.	4,943	1,377	(3,566)	(72.13%)		1,377
Administration Costs	0	0	0	0.00%		0
Dues & Subscriptions	39	0	(39)	(100.00%)		0
Fees	0	0	0	0.00%		0
Rent Expense	0	0	0	0.00%		0
Other:	0	158,384	158,384	100.00%	(156,590)	1,794
Total General and Admin.	51,405	237,062	185,657	361.17%	(156,590)	80,472
Total Depreciation	239,997	356,856	116,859	48.69%	1,857	358,713
Interest Expense	0	15,614	15,614	100.00%	0	15,614
Total Non-Fuel Costs	939,534	1,335,525	395,990	42.15%	(180,733)	1,154,792
kWh Generated	5,861,965	5,594,719	(267,246)	(4.56%)		5,594,719
Total kWh Sales	5,000,012	4,754,140	(245,872)	(4.92%)		4,754,140
Station Service	158,517	231,380	72,863	45.97%		231,380
Gallons Consumed	447,118	409,078	(38,040)	(8.51%)		409,078
Efficiency	13.11	13.68	0.57	4.32%		13.68
Line Loss	12.00%	10.89%	-1.11%	(9.26%)		10.89%

City of Galena

Schedule of Depreciation and Amortization
FOR TEST YEAR ENDING: 6/30/20

Description	Year in Service	Cost	Life	Accum. Dep 6/30/2019	Book Value 6/30/2019	FY2020 Depreciation	Accum. Dep 6/30/2020	Book Value 6/30/2020
Generator Installation	20	\$ 26,000	14	0.00	0.00	\$ 1,857	\$ 1,857	\$ 24,143

Staff Recommended Addition

\$ 1,857

Utility Reported Depreciation

\$ 356,856

Total Depreciation and Amortization

\$ 358,713

Signature: 

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